

HAGAR TOWNSHIP
BERRIEN COUNTY, MICHIGAN

FINANCIAL REPORT

March 31, 2007

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended and P.A. 71 of 1919, as amended

Local Unit of Government Type <input type="checkbox"/> County <input type="checkbox"/> City <input checked="" type="checkbox"/> Twp <input type="checkbox"/> Village <input type="checkbox"/> Other		Local Unit Name HAGAR TOWNSHIP	County BERRIEN
Fiscal Year End MARCH 31, 2007	Opinion Date JUNE 5, 2007	Date Audit Report Submitted to State August 14, 2007	

We affirm that:

We are certified public accountants licensed to practice in Michigan.

We further affirm the following material, "no" responses have been disclosed in the financial statements, including the notes, or in the Management Letter (report of comments and recommendations).


SA 2

Check each applicable box below. (See instructions for further detail.)

1. ☒ ☐ All required component units/funds/agencies of the local unit are included in the financial statements and/or disclosed in the reporting entity notes to the financial statements as necessary.
2. ☒ ☐ There are no accumulated deficits in one or more of this unit's unreserved fund balances/unrestricted net assets (P.A. 275 of 1980) or the local unit has not exceeded its budget for expenditures.
3. ☒ ☐ The local unit is in compliance with the Uniform Chart of Accounts issued by the Department of Treasury.
4. ☐ ☒ The local unit has adopted a budget for all required funds.
5. ☒ ☐ A public hearing on the budget was held in accordance with State statute.
6. ☒ ☐ The local unit has not violated the Municipal Finance Act, an order issued under the Emergency Municipal Loan Act, or other guidance as issued by the Local Audit and Finance Division.
7. ☐ ☒ The local unit has not been delinquent in distributing tax revenues that were collected for another taxing unit.
8. ☒ ☐ The local unit only holds deposits/investments that comply with statutory requirements.
9. ☒ ☐ The local unit has no illegal or unauthorized expenditures that came to our attention as defined in the *Bulletin for Audits of Local Units of Government in Michigan*, as revised (see Appendix H of Bulletin).
10. ☒ ☐ There are no indications of defalcation, fraud or embezzlement, which came to our attention during the course of our audit that have not been previously communicated to the Local Audit and Finance Division (LAFD). If there is such activity that has not been communicated, please submit a separate report under separate cover.
11. ☒ ☐ The local unit is free of repeated comments from previous years.
12. ☒ ☐ The audit opinion is UNQUALIFIED.
13. ☒ ☐ The local unit has complied with GASB 34 or GASB 34 as modified by MCGAA Statement #7 and other generally accepted accounting principles (GAAP).
14. ☒ ☐ The board or council approves all invoices prior to payment as required by charter or statute.
15. ☒ ☐ To our knowledge, bank reconciliations that were reviewed were performed timely.

If a local unit of government (authorities and commissions included) is operating within the boundaries of the audited entity and is not included in this or any other audit report, nor do they obtain a stand-alone audit, please enclose the name(s), address(es), and a description(s) of the authority and/or commission.

I, the undersigned, certify that this statement is complete and accurate in all respects.

We have enclosed the following:	Enclosed	Not Required (enter a brief justification)	
Financial Statements	<input checked="" type="checkbox"/>		
The letter of Comments and Recommendations	<input checked="" type="checkbox"/>		
Other (Describe)	<input checked="" type="checkbox"/>	"Communication of Significant Deficiencies That Indicates No Material Weakness In Internal Control"	
Certified Public Accountant (Firm Name) GERBEL & COMPANY, P.C. CPA'S		Telephone Number 269-983-0534	
Street Address 830 PLEASANT STREET, P.O. BOX 44		City ST JOSEPH	State MI
Zip 49085			
Authorizing CPA Signature 		Printed Name ROBERT L. GERBEL	License Number 3953

**HAGAR TOWNSHIP
BERRIEN COUNTY, MICHIGAN**

FINANCIAL REPORT

March 31, 2007

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HAGAR TOWNSHIP

BERRIEN COUNTY

P.O. Box 135 – Riverside, MI 49084
Phone (269) 849-0455 – Fax (269) 849-2454

Management's Discussion and Analysis

Using this Annual Report

This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Activities provide information about the activities of the Township as a whole and present a longer-term view of the Township's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Township's operations in more detail than the government-wide financial statements.

The Township as a Whole

The Township's combined net assets increased 7% from a year ago – increasing from \$3,005,500 to \$3,263,109. As we look at the governmental activities separately from the business-type activities, we can see that a shift in accounting moves a large portion of the Township's assets from unrestricted to restricted. This is a reflection of the Fire Millage Fund and several of the Township's investment funds being properly identified as restricted for a specific purpose. The total assets for governmental activities increased by \$250,000. This is a result of the sale of the old fire station as well as interest earned on investments for the year. The business-type activities experienced a \$7,256 increase in net assets, as a result of revenue from water billings and interest earned on investments.

HAGAR TOWNSHIP

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Management's Discussion and Analysis (continued)

In a condensed format, the table below shows a comparison of the net assets (in thousands of dollars) as of March 31, 2007 compared to the prior year:

	Governmental Activities		Business-Type Activities		Total		DDA	
	2007	2006	2007	2006	2007	2006	2007	2006
Current Assets	2,137	2,136	67	58	2,204	2,194	104	164
Non-Current Assets	1,047	813	33	34	1080	847	1,031	866
Total Assets	3,184	2,949	100	92	3,284	3,041	1,135	1,030
Current Liabilities	21	36	-	-	21	36	72	176
Non-Current Liabilities	-	-	-	-	-	-	115	-
Total Liabilities	21	36	-	-	21	36	187	176
Net Assets (Deficit)								
Invested in Capital Assets	567	554	33	34	600	588	1,031	866
Restricted	1,251	292	-	-	1,251	292	-	29
Unrestricted	1,345	2,067	67	58	1,412	2,125	(83)	(41)
Total Net Assets	3,163	2,913	100	92	3,263	3,005	948	854

Unrestricted net assets--the part of net assets that can be used to finance day to day operations, decreased by \$722,000 for the governmental activities. This represents a decrease of approximately 35%. The current level of unrestricted net assets for our governmental activities stands at \$1,345,000, or about 230% of expenditures. Restricted assets increased by a comparable amount to reflect the investment and fire funds which are dedicated to specific activities. The changes are simply a more accurate reflection of how the total assets of the Township are distributed.

HAGAR TOWNSHIP

BERRIEN COUNTY

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Management's Discussion and Analysis (continued)

The following table shows the changes of the net assets (in thousands of dollars) as of the March 31, 2007 compared to the prior year:

	Governmental Activities		Business-Type Activities		Total		DDA	
	2007	2006	2007	2006	2007	2006	2007	2006
Program Revenues								
Charges for Services	77	71	5	2	82	73	-	-
Operating Grants	-	-	-	-	-	-	-	-
Capital Grants	-	-	-	-	-	-	-	-
General Revenues								
Property Taxes	348	229	-	-	348	229	71	66
State-Shared Revenues	271	268	-	-	271	268	-	-
Unrestricted Investments	99	47	3	2	102	49	1	9
Local Sources	70	-	-	-	70	-	-	-
Donations	-	-	-	-	-	-	50	172
Miscellaneous	1	19	-	-	1	19	-	5
Total Revenues	866	634	8	4	874	638	122	251
Program Expenses								
General Government	309	266	-	-	309	266	-	-
Public Safety	150	210	-	-	150	210	-	-
Public Works	73	10	-	-	73	10	-	-
Health and Welfare	-	26	-	-	-	26	-	-
Recreation and Culture	54	28	-	-	54	28	-	-
Downtown Development	-	-	-	-	-	-	24	2
Water and Sewer	-	-	1	1	1	1	-	-
Total Expenses	586	540	1	1	587	541	24	2
Change in Net Assets	280	94	7	2	287	97	98	249

HAGAR TOWNSHIP

BERRIEN COUNTY

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Management's Discussion and Analysis (continued)

Governmental Activities

The Township's total governmental revenue increased by approximately \$232,000, due primarily to the success of the operating millage renewal and the new Historical Museum Millage. The Museum Millage will not impact Township activities as those funds are available only to the Museum. The Total governmental revenue increased approximately 36 percent compared to revenues reported in 2006. Expenses increased by about \$46,000 during the year. This was primarily due to expanded attention to road maintenance, additional professional services related to planning and zoning, as well as an unanticipated upgrade to the Township Hall heating and cooling system.

Business-Type Activities

The Township's business-type activities consist of the Water Fund. We provide water to very few of Township residents through a contract with the City of Benton Harbor.

Downtown Development Authority

The Township's component unit consists of a Downtown Development Authority (DDA). The DDA was created to stabilize conditions for those residing in the Riverside area, assist businesses in locating or expanding in the area, and to improve the quality of life. The DDA will continue to collect funding to finance worthy projects as they have in the past with the Township Hall expansion, the downtown Riverside improvement project and the new Public Safety Building.

The Township's Funds

Our analysis of the Township's major funds begins on page 23, following the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Township as a whole. The Township Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. The Township's major funds for 2007 include the General Fund, and the Fire Millage Fund. The General Fund pays for most of the Township's governmental services. The most significant are public safety services, which incurred expenses of approximately \$150,000 in 2007.

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BERRIEN COUNTY

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Management's Discussion and Analysis (continued)

General Fund Budgetary Highlights

Over the course of the year, the Township Board amended the budget to take into account events during the year. Revenues have been increased due to the renewal of the operating millage, returning the amount collected to 1 mil. The operating millage had been rolled back due to the affects of the Headlee amendment and proposal A. Expenses were affected by a variety of projects. Lynch Road was regaveled during 2006 for \$40,000. The heating and cooling system at the Township Hall was in need of an upgrade. The \$21,000 spent on the changes has already resulted in significant energy savings and should continue for years to come. The Township has found great value in the summer patrols provided by the Berrien County Sheriff's Dept.. The weekend and holiday patrols, focused primarily on the beaches, provide an additional layer of protection to our community during critical times. The total cost to the Township for the season is \$6,100. The use of professional planners has become a necessity in today's complex real estate development world. The Township recently started enlisting the assistance of a professional planner, but much of these expenses are reimbursed to the Township by the individual developers through the newly adopted escrow policy.

Capital Asset and Debt Administration

At the end of 2006-2007 fiscal year, the Township had \$600,502 invested in a broad range of capital assets, including buildings and water lines. The township sold the old fire station during the year for \$69,700 and \$49,000 of that was used to pave the drives and parking at the new Public Safety Building. An elaborate exhaust ventilation system was also installed at the Public Safety Building at a cost of \$30,000. In addition, the Township has invested significantly in roads within the Township. These assets are not reported in the Township's financial statements because of Michigan law, which makes these roads the property of the Berrien County Road Commission (along with the responsibility to maintain them).

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Management's Discussion and Analysis (continued)

Economic Factors and Next Year's Budgets and Rates

Because of the impact of Proposal A, the Township needs to continue to watch its budget very closely. The state-wide tax reform act limits growth in taxable value on any individual property to the lesser of inflation or 5%. Because some properties increase in value by less than inflation, the mathematical result of this is that the total taxable value for the Township will grow less than by inflation, before considering new property additions. The prospect for any significant increases in revenue sharing, which is the Township's portion of the State sales tax, remains dim. Projected sales taxes are flat, so the "constitutional" or guaranteed portion of revenue sharing will likely not change much. And, the State's broader financial condition makes it unlikely that the State will be able to reinstate any "statutory" or voluntary portion of revenue sharing any time soon. Our township's revenue sharing has been reduced to guaranteed (constitutional) levels for the last several years.

Contacting the Township's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Township's finances and to show the Township's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Township Supervisor.

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

June 5, 2007

INDEPENDENT AUDITOR'S REPORT

To the Township Board
Hagar Township
Riverside, Michigan

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Hagar Township, as of and for the year ended March 31, 2007, which collectively comprise the Township's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Township's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

The management's discussion and analysis and budgetary comparison information on pages I through VI and 23 and 24 are not a required part of the basic financial statements but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise Hagar Township's basic financial statements. The combining and individual nonmajor fund financial statements are presented for the purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

Gerbel & Company, P.C.

Right. On time.

HAGAR TOWNSHIP
Statement of Net Assets
March 31, 2007

	Primary Government			Component Unit
	Governmental Activities	Business-Type Activities	Total	Downtown Development Authority
Assets				
Cash	\$ 1,037,556	\$ 14,342	\$ 1,051,898	\$ 30,038
Investments	1,015,096	52,640	1,067,736	-
Receivables	83,873	-	83,873	73,437
Interest in joint venture	299,825	-	299,825	-
Internal balances	421	(421)	-	-
Loan receivable	180,130	-	180,130	-
Capital assets (net of related depreciation):				
Nondepreciable assets:				
Land	255,773	-	255,773	-
Depreciable assets:				
Buildings and improvements	212,766	-	212,766	1,031,457
Land improvements	84,237	-	84,237	-
Machinery and equipment	2,803	-	2,803	-
Office equipment	11,910	-	11,910	-
Utility systems	-	33,012	33,012	-
Total Assets	\$ 3,184,390	\$ 99,573	\$ 3,283,963	\$ 1,134,932
Liabilities				
Accounts payable	\$ 9,928	\$ -	\$ 9,928	\$ -
Payroll liabilities	9,655	-	9,655	-
Interest payable	-	-	-	6,632
Deferred revenue	1,271	-	1,271	-
Noncurrent liabilities:				
Due within one year	-	-	-	65,740
Due in more than one year	-	-	-	114,390
Total Liabilities	\$ 20,854	\$ -	\$ 20,854	\$ 186,762
Net Assets				
Invested in capital assets, net of related debt	\$ 567,489	\$ 33,012	\$ 600,501	\$ 1,031,457
Restricted	1,250,875	-	1,250,875	-
Unrestricted	1,345,172	66,561	1,411,733	(83,287)
TOTAL NET ASSETS	\$ 3,163,536	\$ 99,573	\$ 3,263,109	\$ 948,170

The accompanying notes are an integral part of these financial statements.

HAGAR TOWNSHIP
Statement of Activities
For the Year Ended March 31, 2007

<u>Functions/Programs</u>	<u>Program Revenues</u>			
	<u>Expenses</u>	<u>Charges for Services</u>	<u>Operating Grants and Contributions</u>	<u>Capital Grants and Contributions</u>
Primary Government :				
Governmental Activities:				
General government	\$ 309,132	\$ 24,514	\$ -	\$ -
Public safety	150,155	52,901	-	-
Public works	72,979	-	-	-
Recreation and cultural	53,485	-	-	-
Total Governmental Activities	<u>\$ 585,751</u>	<u>\$ 77,415</u>	<u>\$ -</u>	<u>\$ -</u>
Business-Type Activities:				
Sewer Fund	<u>\$ 1,084</u>	<u>\$ 5,531</u>	<u>\$ -</u>	<u>\$ -</u>
Total Business-type Activities	<u>\$ 1,084</u>	<u>\$ 5,531</u>	<u>\$ -</u>	<u>\$ -</u>
Total Primary Government	<u>\$ 586,835</u>	<u>\$ 82,946</u>	<u>\$ -</u>	<u>\$ -</u>
Component Unit - Downtown Development Authority	<u>\$ 24,162</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>

General Revenues:
Property taxes
State revenue sharing
Investment return
Donations from private sources
Gain on sale of assets
Other revenue

Total General Revenues

Changes in Net Assets

Net Assets - Beginning of Year
Prior Period Adjustment
Restated Net Assets - Beginning of Year

Change in Net Assets

NET ASSETS - END OF THE YEAR

The accompanying notes are an integral part of these financial statements.

Net (Expense) Revenue and Changes in Net Assets			Component Unit
Primary Government			
Governmental Activities	Business-type Activities	Total	Downtown Development Authority
\$ (284,618)	\$ -	\$ (284,618)	\$ -
(97,254)	-	(97,254)	-
(72,979)	-	(72,979)	-
(53,485)	-	(53,485)	-
<u>\$ (508,336)</u>	<u>\$ -</u>	<u>\$ (508,336)</u>	<u>\$ -</u>
\$ -	\$ 4,447	\$ 4,447	\$ -
\$ -	\$ 4,447	\$ 4,447	\$ -
\$ (508,336)	\$ 4,447	\$ (503,889)	\$ -
\$ -	\$ -	\$ -	\$ (24,162)
\$ 348,446	\$ -	\$ 348,446	\$ 71,699
270,469	-	270,469	-
98,825	2,809	101,634	552
-	-	-	50,069
69,700	-	69,700	-
708	-	708	-
<u>788,148</u>	<u>2,809</u>	<u>790,957</u>	<u>122,320</u>
<u>279,812</u>	<u>7,256</u>	<u>287,068</u>	<u>98,158</u>
\$ 2,913,183	\$ 92,317	\$ 3,005,500	\$ 854,023
(29,459)	-	(29,459)	(4,011)
<u>2,883,724</u>	<u>92,317</u>	<u>2,976,041</u>	<u>850,012</u>
<u>279,812</u>	<u>7,256</u>	<u>287,068</u>	<u>98,158</u>
\$ 3,163,536	\$ 99,573	\$ 3,263,109	\$ 948,170

**HAGAR TOWNSHIP
GOVERNMENTAL FUNDS
Balance Sheet
March 31, 2007**

	<u>General Fund</u>	<u>Fire Millage Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Assets				
Current Assets:				
Cash and cash equivalents	\$ 1,006,443	\$ 31,113	\$ -	\$ 1,037,556
Investments	1,014,107	989	-	1,015,096
Receivables:				
Accounts	6,632	-	-	6,632
Taxes	30,664	564	144	31,372
Loan	180,130	-	-	180,130
Due (to) from other funds	<u>(110,685)</u>	<u>111,106</u>	<u>-</u>	<u>421</u>
 Total Current Assets	 <u>\$ 2,127,291</u>	 <u>\$ 143,772</u>	 <u>\$ 144</u>	 <u>\$ 2,271,207</u>
 TOTAL ASSETS	 <u>\$ 2,127,291</u>	 <u>\$ 143,772</u>	 <u>\$ 144</u>	 <u>\$ 2,271,207</u>
Liabilities and Fund Balances				
Current Liabilities:				
Accounts payable	\$ 9,928	\$ -	\$ -	\$ 9,928
Payroll liabilities	9,655	-	-	9,655
Deferred revenue	<u>1,271</u>	<u>-</u>	<u>-</u>	<u>1,271</u>
 Total Current Liabilities	 <u>\$ 20,854</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 20,854</u>
 Total Liabilities	 <u>\$ 20,854</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 20,854</u>
 Fund Balances:				
Reserved for:				
Restricted purposes	\$ 1,084,083	\$ -	\$ -	\$ 1,084,083
Unreserved, reported in				
General Fund	1,022,354	-	-	1,022,354
Special Revenue	<u>-</u>	<u>143,772</u>	<u>144</u>	<u>143,916</u>
 Total Fund Balances	 <u>\$ 2,106,437</u>	 <u>\$ 143,772</u>	 <u>\$ 144</u>	 <u>\$ 2,250,353</u>
 TOTAL LIABILITIES AND FUND BALANCES	 <u>\$ 2,127,291</u>	 <u>\$ 143,772</u>	 <u>\$ 144</u>	 <u>\$ 2,271,207</u>

HAGAR TOWNSHIP
Reconciliation of the Balance Sheet of Governmental Funds
to the Statement of Net Assets
March 31, 2007

Fund Balance - Total Governmental Funds	\$ 2,250,353
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Amounts reported for governmental activities in the statement
of net assets are different because:

Capital assets used in governmental activities are not financial resources and are not reported in the funds.	567,489
--	---------

Interest in joint venture is not a financial resource and is not reported in the funds.	299,825
--	---------

Receivables not expected to be received within 60 days of year end are not financial resources and not reported in the funds.	<u>45,869</u>
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Net Assets of Governmental Activities	<u>\$ 3,163,536</u>
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**HAGAR TOWNSHIP
GOVERNMENTAL FUNDS
Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended March 31, 2007**

	<u>General Fund</u>	<u>Fire Millage Fund</u>	<u>Other Governmental Funds</u>	<u>Total Governmental Funds</u>
Revenues:				
Taxes	\$ 170,205	\$ 111,671	\$ 28,482	\$ 310,358
Licenses and permits	53,013	-	-	53,013
State revenues	270,469	-	-	270,469
Charges for services	5,481	-	-	5,481
Interest	88,014	3,030	-	91,044
Other revenue	19,632	-	-	19,632
Total Revenues	<u>\$ 606,814</u>	<u>\$ 114,701</u>	<u>\$ 28,482</u>	<u>\$ 749,997</u>
Expenditures:				
General government	\$ 296,029	\$ -	\$ -	\$ 296,029
Public safety	167,435	88,069	-	255,504
Public works	72,979	-	-	72,979
Recreation and culture	16,560	-	28,338	44,898
Total Expenditures	<u>\$ 553,003</u>	<u>\$ 88,069</u>	<u>\$ 28,338</u>	<u>\$ 669,410</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ 53,811</u>	<u>\$ 26,632</u>	<u>\$ 144</u>	<u>\$ 80,587</u>
Other Financing Sources:				
Proceeds from sale of building	<u>\$ 69,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,700</u>
Total Other Financing Sources	<u>\$ 69,700</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 69,700</u>
Net Change in Fund Balances	<u>\$ 123,511</u>	<u>\$ 26,632</u>	<u>\$ 144</u>	<u>\$ 150,287</u>
Fund Balances, Beginning of Year	\$ 2,100,066	\$ -	\$ -	\$ 2,100,066
Prior Period Adjustment - NOTE 12	(117,140)	117,140	-	-
Restated Fund Balances, Beginning of Year	\$ 1,982,926	\$ 117,140	\$ -	\$ 2,100,066
Net Change in Fund Balance	<u>123,511</u>	<u>26,632</u>	<u>144</u>	<u>150,287</u>
FUND BALANCES, END OF YEAR	<u>\$ 2,106,437</u>	<u>\$ 143,772</u>	<u>\$ 144</u>	<u>\$ 2,250,353</u>

HAGAR TOWNSHIP
Reconciliation of the Statement of Revenues, Expenditures, and
Changes in Fund Balances of
Governmental Funds to the Statement of Activities
For the Year Ended March 31, 2007

Net Change in Fund Balance - Total Governmental Funds	\$	150,287
---	----	---------

Amounts reported for governmental activities in the statement
of activities are different because:

Interest in joint ventures not recorded in governmental funds:		
Increase in equity interest		40,537

Revenues not expected to be received within 60 days of year end are not reported in the funds.		45,869
---	--	--------

Governmental funds report capital outlays as expenditures;
in the statement of activities, these costs are allocated over
their estimated useful lives as depreciation.

Capital outlay capitalized		66,199
Current depreciation expense		<u>(23,080)</u>

Change in Net Assets of Governmental Activities	\$	<u>279,812</u>
---	----	----------------

**HAGAR TOWNSHIP
PROPRIETARY FUND
Statement of Net Assets
March 31, 2007**

	<u>Water Fund</u>
Assets	
Current Assets:	
Cash and cash equivalents	\$ 14,342
Investments	<u>52,640</u>
Total Current Assets	<u>\$ 66,982</u>
Noncurrent Assets:	
Water lines	\$ 54,222
Accumulated depreciation	<u>(21,210)</u>
Total Noncurrent Assets	<u>\$ 33,012</u>
TOTAL ASSETS	<u>\$ 99,994</u>
Liabilities and Fund Balances	
Current Liabilities:	
Due to other funds	\$ <u>421</u>
Total Current Liabilities	<u>\$ 421</u>
Total Liabilities	<u>\$ 421</u>
Fund Balance:	
Invested in capital assets, net of related debt	\$ 33,012
Unrestricted	<u>66,561</u>
Total Fund Balance	<u>\$ 99,573</u>
TOTAL LIABILITIES AND FUND BALANCE	<u>\$ 99,994</u>

**HAGAR TOWNSHIP
PROPRIETARY FUND
Statement of Revenues, Expenses, and
Changes in Net Assets
For the Year Ended March 31, 2007**

	<u>Water Fund</u>
Operating Revenues:	
Water revenue	\$ 5,531
Operating Expenses:	
Depreciation	\$ 1,084
Operating Income	\$ 4,447
Nonoperating Revenue (Expenses):	
Interest revenue	\$ 1,926
Unrealized gain/loss	883
Total Nonoperating Revenue (Expense)	\$ 2,809
Change in Net Assets	\$ 7,256
Total Net Assets, Beginning of Year	92,317
TOTAL NET ASSETS, END OF YEAR	\$ 99,573

**HAGER TOWNSHIP
PROPRIETARY FUND
Statement of Cash Flows
For the Year Ended March 31, 2007**

Cash Flows From Operating Activities:

Cash receipts from customers	\$ <u>6,243</u>
------------------------------	-----------------

Net cash provided (used) by operating activities	\$ <u>6,243</u>
--	-----------------

Cash Flows From Investing Activities:

Investment purchases	\$ (1,712)
Interest income	<u>1,926</u>

Net cash provided (used) by investing activities	\$ <u>214</u>
--	---------------

Net increase (decrease) in cash and cash equivalents	\$ 6,457
--	----------

Cash Balance, Beginning of the Year	<u>7,885</u>
-------------------------------------	--------------

CASH BALANCE, END OF THE YEAR	<u>\$ 14,342</u>
-------------------------------	------------------

Reconciliation of operating income (loss) to net cash provided (used) by operating activities:

Operating income (loss)	\$ <u>4,447</u>
-------------------------	-----------------

Adjustments to reconcile operating income (loss) to net cash provided (used) by operating activities:

Depreciation expense	\$ 1,084
(Increase) decrease in:	
Accounts receivable	<u>712</u>

Total adjustments	\$ <u>1,796</u>
-------------------	-----------------

Net cash provided (used) by operating activities	<u>\$ 6,243</u>
--	-----------------

**HAGAR TOWNSHIP
FIDUCIARY FUNDS
Statement of Net Assets
March 31, 2007**

	<u>Agency Funds</u>
Assets	
Cash and cash equivalents	\$ 165,153
Accounts receivable	<u>134</u>
TOTAL ASSETS	<u>\$ 165,287</u>
Liabilities	
Accounts payable	\$ 31,093
Taxes payable	<u>134,194</u>
TOTAL LIABILITIES	<u>\$ 165,287</u>

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting methods and procedures adopted by Hagar Township, Michigan, conform to accounting principles generally accepted in the United States of America as applied to governmental entities. The Governmental Accounting Standards Board (GASB) is the accepted standard-setting body for establishing governmental accounting and financial reporting principles. The more significant government accounting policies are described below:

A. Reporting Entity

Hagar Township is governed by an elected five-member board. The accompanying financial statements present Hagar Township and its component unit, an entity for which Hagar Township is considered to be financially accountable. The discretely presented component unit is reported in a separate column in the government-wide financial statements to emphasize that it is legally separate from Hagar Township.

The Downtown Development Authority - The DDA was created to stabilize conditions for those residing in the Riverside area, assist businesses in locating or expanding in the area, and to improve the quality of life. The DDA's governing body, which consists of nine individuals, is appointed by Hagar Township's board. Any surplus funds existing at the DDA's termination vest to Hagar Township. The DDA has the same fiscal year as the Township.

Jointly Governed Organizations - Hagar Township, along with Coloma Charter Township and the City of Coloma, are members of the Coloma-Hagar Joint Fire Board. The Fire Board is governed by an administrative board of six members appointed by the City and Townships. Hagar Township's equity interest in the Fire Board is recorded in governmental activities in the government-wide financial statements. Complete financial statements for the Fire Board can be obtained from the City of Coloma mayor's office.

B. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e. the statements of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government of the Township. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which are normally supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on fees and charges for services.

The statement of activities demonstrates the degree to which the direct expenses of a function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include 1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment and 2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenues.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds, even though the latter are excluded from the government-wide financial statements. Major individual governmental funds and major individual enterprise funds are reported as separate columns in the fund financial statements.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

C. Measurement Focus, Basis of Accounting, and Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. In the individual fund statements and schedules, the proprietary fund and fiduciary fund financial statements are also reported using the economic resources measurement focus and the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenues in the year for which they are levied. Grants and similar items are recognized as revenues as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenues are recognized as soon as they are both measurable and available. Revenues are considered available when they are collectible within the current period or soon enough thereafter to pay liabilities of the current period. The Township considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures and compensated absences, and claims and judgments are recorded only when payment is due.

Property taxes, franchise fees, licenses and interest associated with the current fiscal period are all considered to be susceptible to accrual and have been recognized as revenues of the current fiscal period. Only the portion of special assessments receivable due within the current fiscal period is considered to be susceptible to accrual as revenue of the current period. All other revenue items are considered to be measurable and available only when cash is received by the Township.

Hager Township reports the following major governmental funds:

The **General Fund** is the Township's primary operating fund. It accounts for all financial resources of the general government, except those required to be accounted for in another fund.

The **Fire Millage Fund** accounts for activities related to providing fire services.

Additionally, Hager Township reports the following fund types:

The **Proprietary Fund** is used to account for the activities of the water system.

The **Agency Funds** are used to account for assets as an agent for individuals, private organizations, other governments and/or other funds. Agency funds are custodial in nature (assets equal liabilities) and do not involve measurement of results of operations.

Private-sector standards of accounting and financial reporting issued prior to December 1, 1989, generally are followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the option of following subsequent private sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Township has elected not to follow subsequent private-sector guidance.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

D. Property Tax Revenue

Township property taxes are levied on December 1 on the taxable valuation of property as of the preceding December 31. Taxes are considered delinquent on March 1 of the following year, at which time penalties and interest are assessed.

Hagar Township's 2006 tax is levied and collectible on December 1, 2006, and is recognized as revenue in the year ended March 31, 2007, when the proceeds of the levy are budgeted and available for the financing of operations.

The 2006 taxable valuation of Hagar Township totaled \$139.8 million, on which taxes levied consisted of 1.0 mills for operating purposes, 0.9798 mills for fire services and 0.25 mills for North Berrien County Historical Museum. This resulted in approximately \$139,400 for operations, \$136,579 for fire and \$34,836 for historical museum. Of these levied amounts, \$16,460 was allocated for DDA.

E. Receivables and Payables

Outstanding balances between funds are reported as "due to/from other fund". Any residual balances outstanding between the governmental activities and the business-type activities are reported in the government-wide financial statements as "internal balances". All trade and property tax receivables are shown as net of allowance for uncollectible amounts.

F. Capital Assets

Capital assets, which include property, plant, equipment, and infrastructure assets (e.g. streets, bridges, and sidewalks), are reported in the applicable governmental or business-type activities columns in the government-wide financial statements. Capital assets are defined by Hagar Township as assets with an initial, individual cost of more than \$5,000 and an estimated useful life in excess of two years.

All capital assets are valued at historical cost or estimated historical cost if actual cost is not available. Donated capital assets are recorded at estimated fair market value on the date of donation.

The costs of normal maintenance and repairs that do not add to the value of the assets or materially extend asset lives are not capitalized.

Depreciation of all exhaustible capital assets used is charged as an expense against their operations in government-wide statements and all proprietary financial statements. Accumulated depreciation is reported on government-wide and proprietary statements of net assets. The straight-line depreciation method is applied over the estimated useful life of fixed assets.

The straight-line depreciation method is used for all depreciable capital assets. The estimated useful lives for capital assets are displayed in the table below:

Asset Class	Depreciable Life
Land improvements	15 years
Buildings	40 years
Office equipment	7 years
Equipment	5 years
Water lines	50 years

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

G. Fund Equity

In the fund financial statements, the governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change.

H. Long-Term Liabilities

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities and business-type activities or proprietary fund type statements of net assets. The Township does not currently have any bonded debt; however, if they were to issue a bond, the bond premium or discount, as well as issuance costs, would be deferred and amortized over the life of the bonds using straight-line amortization. Bonds payable would be reported net of the applicable bond premium or discount. Bond issuance costs would be reported as deferred charges and amortized over the term of the related debt.

In the fund financial statements, governmental fund types would recognize bond premiums and discounts, as well as bond issuance costs, during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances would be reported as other financing sources. Bond discounts would be reported as other financing uses. Issuance costs, whether or not withheld from the actual debt received, would be reported as debt service.

I. Budgetary Data

Prior to an annual meeting the Supervisor submits, to the Board of Trustees, a proposed operating budget for the fiscal year commencing April 1. The budget includes proposed expenditures and the means of financing them.

A public hearing is conducted before final adoption by the Board of Trustees.

The budget is formally accepted in summary form at the annual budget meeting.

The Supervisor and Clerk are authorized to transfer budgeted amounts between departments within a fund; however, any revisions that alter total expenditures of any fund must be approved by the Board of Trustees.

J. Cash Flows Statement

For purposes of the Statement of Cash Flows, the Enterprise Fund considers all highly liquid investments, with a maturity of six months or less when purchased, to be cash equivalents.

K. Investments

Investments are stated at cost or amortized cost, which approximates market.

All highly liquid investments (including restricted assets) with a maturity of one year or less when purchased are defined as cash equivalents.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES - Continued

L. Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires the use of estimates and assumptions that affect the reporting of certain assets, liabilities, revenues, and expenditures. Actual results may differ from estimated amounts.

NOTE 2 - DEPOSITS AND INVESTMENTS

The Township's deposits, which include cash and certificates of deposit, are carried at cost. Act 217, PA 1982, authorizes the Township to deposit and invest in the accounts of Federally insured banks, insured credit unions, savings and loan associations and bonds and other direct obligations of the associations and bonds and other direct obligations of the United States. Michigan law prohibits security in the form of collateral, surety bond, or other forms for the deposit of public money. An Attorney General's opinion states that public funds may not be deposited in financial institutions that do not have a branch location in Michigan. The Township's deposits and investment policies are in accordance with statutory authority at March 31, 2007.

Following is a reconciliation of deposit and investment balances as of March 31, 2007:

Statement of Net Assets:	
Cash and cash equivalents	\$ 1,051,898
Statement of Fiduciary Net Assets:	
Cash and cash equivalents	<u>165,153</u>
Total	<u>\$ 1,217,051</u>
Deposits and Investments:	
Bank deposits:	
Checking and savings accounts	\$ 778,818
Money market	437,789
Cash on hand	<u>444</u>
Total	<u>\$ 1,217,051</u>

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

A. Interest Rate Risk

Interest rate risk is the risk that the value of investments will decrease as a result of a rise in interest rates. Hagar Township's investment policy does not restrict investment maturities. At year end, the maturities of investment are as follows:

	<u>Fair Market Value</u>	<u>Less Than One Year</u>	<u>One to Three Years</u>	<u>More Than Three Years</u>
Federal Home Loan Mortgage*	\$ 684,296	\$ 615,468	\$ 68,828	\$ -
Federal Home Loan Banks*	204,039	-	204,039	-
Federal Home Loan Mortgage Associations*	117,693	-	117,693	-
Institutional Government Money Market	16,906	16,906	-	-
Commercial Paper	<u>44,802</u>	<u>44,802</u>	<u>-</u>	<u>-</u>
 Total Investments	 <u>\$ 1,067,736</u>	 <u>\$ 677,176</u>	 <u>\$ 390,560</u>	 <u>\$ -</u>

* - All of the investments in U.S. agencies are callable

B. Concentration of Credit Risk

Hagar Township places no limit on the amount invested in any one issuer. No more than five percent of Hagar Township's investments are invested in any one issuer.

C. Custodial Credit Risk of Bank Deposits

Custodial credit risk is the risk that in the event of a bank failure, Hagar Township's deposits may not be returned to it. Hagar Township does not have a deposit policy for custodial credit risk. At year end, Hagar Township has \$867,913 of bank deposits and \$437,789 of money market deposits that were uninsured and uncollateralized. At year end, all of the component unit's bank deposits were insured. Hagar Township believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all deposits. As a result, Hagar Township evaluates each financial institution with which it deposits funds and assesses the level of risk of each institution. Only those institutions with an acceptable estimated risk level are used as depositories.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 2 - DEPOSITS AND INVESTMENTS - Continued

D. Custodial Credit Risk of Investments

Custodial credit risk is the risk that in the event of a failure to the counterparty, Hager Township will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. Hager Township does not have a policy for custodial credit risk. At year end, the following investment securities were uninsured and unregistered, with securities held by the counterparty or by its trust department or agent, but not in the Township's name:

<u>Type of Investment</u>	<u>Carrying Value</u>	<u>How Held</u>
U.S. Government or agency bond or notes	\$ 1,006,028	Counterparty
Commercial paper	44,802	Counterparty
Money market	16,906	Counterparty

NOTE 3 - STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Hager Township oversees building construction in accordance with the State's Construction code Act, including inspection of building construction and renovation to ensure compliance with building codes. Hager Township charges fees for these services. The law requires that collection of these fees be used for construction code costs, including an allocation of estimated overhead costs. A summary of the current year activity and the cumulative surplus or shortfall generated since January 1, 2000 is as follows:

Shortfall at March 31, 2006	\$ (42,556)
Current year building permit revenue	37,710
Related expenses - Direct costs	<u>(39,463)</u>
Shortfall at March 31, 2007	<u>\$ (44,309)</u>

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 4 - CAPITAL ASSETS

Capital assets activities for the year ended March 31, 2007 were as follows:

	<u>Balance</u> <u>April 1, 2006</u>	<u>Additions</u>	<u>Deletions</u>	<u>Adjustments</u>	<u>Balance</u> <u>March 31, 2007</u>
Governmental Activities					
Capital Assets Not Depreciated:					
Land	\$ 255,773	\$ -	\$ -	\$ -	\$ 255,773
Construction in process	<u>17,041</u>	<u>66,200</u>	<u>-</u>	<u>(83,241)</u>	<u>-</u>
 Total Capital Assets Not Depreciated	 <u>\$ 272,814</u>	 <u>\$ 66,200</u>	 <u>\$ -</u>	 <u>\$ (83,241)</u>	 <u>\$ 255,773</u>
 Capital Assets Depreciated:					
Buildings	\$ 411,702	\$ -	\$ -	\$ 83,241	\$ 494,943
Land improvements	129,863	-	-	-	129,863
Equipment	109,816	-	-	-	109,816
Office equipment	<u>23,909</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>23,909</u>
 Subtotal	 <u>\$ 675,290</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 83,241</u>	 <u>\$ 758,531</u>
 Accumulated Depreciation					
Buildings	\$ 271,660	\$ 10,517	\$ -	\$ -	\$ 282,177
Land improvements	36,968	8,658	-	-	45,626
Equipment	105,550	1,463	-	-	107,013
Office equipment	<u>9,556</u>	<u>2,443</u>	<u>-</u>	<u>-</u>	<u>11,999</u>
 Total Accumulated Depreciation	 <u>\$ 423,734</u>	 <u>\$ 23,081</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 446,815</u>
 Net Capital Assets Depreciated	 <u>\$ 251,556</u>	 <u>\$ (23,081)</u>	 <u>\$ -</u>	 <u>\$ 83,241</u>	 <u>\$ 311,716</u>
 Total Capital Assets	 <u>\$ 524,370</u>	 <u>\$ 43,119</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 567,489</u>
 Business Activities					
Water lines	\$ 54,222	\$ -	\$ -	\$ -	\$ 54,222
 Subtotal	 <u>\$ 54,222</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 54,222</u>
 Less: Accumulated Depreciation	 <u>20,125</u>	 <u>1,084</u>	 <u>-</u>	 <u>-</u>	 <u>21,209</u>
 Total Capital Assets	 <u>\$ 34,097</u>	 <u>\$ (1,084)</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 33,013</u>
 Component Unit					
Construction in process	\$ 866,188	\$ 182,751	\$ -	\$ (1,048,939)	\$ -
Buildings	-	-	-	1,048,939	1,048,939
Accumulated depreciation	<u>-</u>	<u>(17,482)</u>	<u>-</u>	<u>-</u>	<u>(17,482)</u>
 Total	 <u>\$ 866,188</u>	 <u>\$ 165,269</u>	 <u>\$ -</u>	 <u>\$ -</u>	 <u>\$ 1,031,457</u>

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 4 - CAPITAL ASSETS - Continued

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities:	
General government	\$ 13,107
Public safety	1,387
Recreation and culture	<u>8,587</u>
Total Governmental Activities	<u>\$ 23,081</u>
Business Type Activities - Water	<u>\$ 1,084</u>
Component Unit - DDA	<u>\$ 17,482</u>

NOTE 5 - RISK MANAGEMENT

Hagar Township is exposed to various risks of loss related to property loss, torts, errors and omissions, and employee injuries (worker's compensation). Hagar Township has purchased commercial insurance for property loss, torts, errors and omissions, and employee injuries. Settled claims relating to the commercial insurance have not exceeded the amount of insurance coverage in any of the past four fiscal years.

NOTE 6 - DEFINED CONTRIBUTION RETIREMENT PLAN

Hagar Township provides pension benefits to all of its board members and hourly employees at least 18 years of age with 1,000 hours of service or more. In a defined contribution plan, benefits depend solely on amounts contributed to the plan plus investment earnings. Employees are eligible to participate from the date of employment. As established by the Hagar Township board, the Township contributes ten percent of employees' gross earnings. In accordance with these requirements, Hagar Township contributed \$7,469. There were no employee contributions during fiscal 2007.

NOTE 7 - INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances as of March 31, 2007, is as follows:

Due to/from other funds:

<u>Receivable</u> <u>Fund</u>	<u>Payable</u> <u>Fund</u>	<u>Amount</u>
General	Water	\$ 421
Fire	General	<u>111,106</u>
	Total	<u>\$ 111,527</u>

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 8 - RESERVED FUND BALANCES

The following amounts in the General Fund have been designated reserved.

The Reserved Technisand Fund balances is restricted for the purpose of maintenance and clean-up after dune mining is complete.

The Reserved Sewer Fund balance and Road Improvement Fund balance are restricted for the purpose of continuing maintenance of sewer lines and roads.

The Reserved Fire Board balance is restricted for fire services needs including a new fire truck.

The Reserved Ambulance Millage Fund balance is the amount still remaining from the pervious millage levy.

The Reserved Township Capital Expenditures Fund balance is restricted for improvements to the Township. It is used for improvements of public safety, parks, and all other Township improvements.

NOTE 9 - EXPENDITURES OVER BUDGET

P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall incur expenditures in excess of the amount appropriated. The approved General Fund budget of the Township was adopted at the department level. During the year ended March 31, 2007 the Township incurred expenditures in certain budgetary functions, which were in excess of the amount appropriated as follows:

	<u>Activity</u> <u>Appropriation</u>	<u>Activity</u> <u>Expenditures</u>	<u>Negative</u> <u>Budget Activity</u>
General Fund:			
General Government	\$ 292,972	\$ 296,029	\$ 3,057
Recreation and Cultural	16,472	16,560	88
Museum Fund:			
Recreation and Cultural	-	28,338	28,338

NOTE 10 – JOINTLY GOVERNED ORGANIZATION

Coloma-Hagar Joint Fire Board

Hagar Township, Charter Township of Coloma and the City of Coloma participate jointly in the operations of the Coloma-Hagar Joint Fire Board. The funds required are allocated among the participating municipalities according to a formula approved by the board of directors. Hagar Township's appropriation of the Coloma-Hagar Joint Fire Board for this fiscal year ended March 31, 2007, was \$100,084. Of that total, \$18,578 was for fire department wage reimbursements. The remaining \$81,506 was the subsidy paid to the Coloma-Hagar Joint Fire Board per the agreement.

HAGAR TOWNSHIP
Notes to Financial Statements
March 31, 2007

NOTE 11 - OPERATING LEASE

During the year ended March 31, 2007, Hagar Township, agreed to rent the newly constructed Public Safety Building to the Coloma-Hagar Joint Fire Board. The lease shall expire on the anniversary of its signing in 2027. Rent in the amount of one dollar (\$1.00) was received by Hagar Township in accordance with the lease. The Coloma-Hagar Joint Fire Board is responsible for all maintenance and repairs to keep the building in good operating condition.

NOTE 12 - PRIOR PERIOD ADJUSTMENTS

Fund Level - A prior period adjustment was made decreasing the General Fund and increasing the Fire Board Millage Fund balance in the amount of \$117,140. This amount represents the amount reserved in the General Fund as of March 31, 2006, that should have been reported in a separate Fire Millage Fund. The net effect on the total Governmental Funds fund balance is \$0.

Government-Wide Level - A prior period adjustment was made to decrease the Governmental Activities Net Assets in the amount of \$29,459. This amount represents an increase of \$17,041 to record an asset that should have been capitalized during the year ended March 31, 2006, and a decrease of \$46,500 to record accumulated depreciation for assets that were fully depreciated as of March 31, 2006, however, it was not included in the financial statements.

Component Unit - A prior period adjustment was made to decrease its Net Assets in the amount of \$4,011. This amount represents the amount of additional interest income that was recognized during the year ended March 31, 2006, that should have been posted to an existing interest receivable account.

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 98,000	\$ 196,383	\$ 170,205	\$ (26,178)
Licenses and permits	52,260	42,107	53,013	10,906
State revenue	275,061	270,469	270,469	-
Charges for services	1,000	3,635	5,481	1,846
Interest	45,000	8,070	88,014	79,944
Other revenue	<u>35,000</u>	<u>36,311</u>	<u>19,632</u>	<u>(16,679)</u>
Total Revenues	<u>\$ 506,321</u>	<u>\$ 556,975</u>	<u>\$ 606,814</u>	<u>\$ 49,839</u>
Expenditures:				
General government	\$ 356,971	\$ 292,972	\$ 296,029	\$ (3,057)
Public safety	144,850	183,350	167,435	15,915
Public works	72,500	73,311	72,979	332
Recreation and culture	<u>19,000</u>	<u>16,472</u>	<u>16,560</u>	<u>(88)</u>
Total Expenditures	<u>\$ 593,321</u>	<u>\$ 566,105</u>	<u>\$ 553,003</u>	<u>\$ 13,102</u>
Excess (Deficiency) of Revenues Over (Under) Expenditures	<u>\$ (87,000)</u>	<u>\$ (9,130)</u>	<u>\$ 53,811</u>	<u>\$ 62,941</u>
Other Financing Sources (Uses):				
Other financing sources	<u>-</u>	<u>69,700</u>	<u>69,700</u>	<u>-</u>
Net Changes in Fund Balance	<u>\$ (87,000)</u>	<u>\$ 60,570</u>	<u>\$ 123,511</u>	<u>\$ 62,941</u>
Fund Balance, Beginning of Year	\$ 2,100,066	\$ 2,100,066	\$ 2,100,066	\$ -
Prior Period Adjustment - NOTE 12	<u>-</u>	<u>-</u>	<u>(117,140)</u>	<u>(117,140)</u>
Restated Fund Balance	<u>\$ 2,100,066</u>	<u>\$ 2,100,066</u>	<u>\$ 1,982,926</u>	<u>\$ (117,140)</u>
FUND BALANCE, END OF YEAR	<u>\$ 2,013,066</u>	<u>\$ 2,160,636</u>	<u>\$ 2,106,437</u>	<u>\$ (54,199)</u>

**HAGAR TOWNSHIP
FIRE MILLAGE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance - Budget and Actual
For the Year Ended March 31, 2007**

	<u>Budgeted Amounts</u>		<u>Actual Amounts Budgetary Basis</u>	<u>Variance with Final Budget Positive (Negative)</u>
	<u>Original</u>	<u>Final</u>		
Revenues:				
Taxes	\$ 114,000	\$ 111,138	\$ 111,671	\$ 533
Interest	-	-	3,030	3,030
Total Revenues	<u>\$ 114,000</u>	<u>\$ 111,138</u>	<u>\$ 114,701</u>	<u>\$ 3,563</u>
Expenditures:				
Public Safety:				
Wage reimbursement	\$ 7,000	\$ 6,563	\$ 6,563	\$ -
Contracted services	85,000	81,506	81,506	-
Total Public Safety	<u>\$ 92,000</u>	<u>\$ 88,069</u>	<u>\$ 88,069</u>	<u>\$ -</u>
Total Expenditures	<u>\$ 92,000</u>	<u>\$ 88,069</u>	<u>\$ 88,069</u>	<u>\$ -</u>
Net Change in Fund Balance	<u>\$ 22,000</u>	<u>\$ 23,069</u>	<u>\$ 26,632</u>	<u>\$ 3,563</u>
Fund Balance, Beginning of Year	\$ -	\$ -	\$ -	\$ -
Prior Period Adjustment - NOTE 12	-	-	117,140	117,140
Restated Fund Balance, Beginning of Year	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 117,140</u>	<u>\$ 117,140</u>
FUND BALANCE, END OF YEAR	<u>\$ 22,000</u>	<u>\$ 23,069</u>	<u>\$ 143,772</u>	<u>\$ 120,703</u>

**HAGAR TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Description of Funds**

Special Revenue Fund

Special revenue funds are used to account for specific revenues that are legally restricted to expenditures for particular purposes.

Museum Millage Fund - This fund is used to account for revenues collected and monies expended for the purpose of providing historical museum services to the community.

**HAGAR TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Balance Sheet
March 31, 2007**

	<u>Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
Assets		
Taxes receivable	\$ 144	\$ 144
 TOTAL ASSETS	 <u>\$ 144</u>	 <u>\$ 144</u>
 Fund Balance		
Fund Balances:		
Reserved Museum Services	\$ 144	\$ 144
 TOTAL FUND BALANCES	 <u>\$ 144</u>	 <u>\$ 144</u>

**HAGAR TOWNSHIP
NONMAJOR GOVERNMENTAL FUNDS
Combining Statement of Revenues, Expenditures, and
Changes in Fund Balances
For the Year Ended March 31, 2007**

	<u>Special Revenue</u>	<u>Total Nonmajor Governmental Funds</u>
Revenues:		
Taxes	\$ 28,482	\$ 28,482
Total Revenues	<u>\$ 28,482</u>	<u>\$ 28,482</u>
Expenditures:		
Recreation and Cultural: Museum operations	\$ 28,338	\$ 28,338
Total Recreation and Cultural	<u>\$ 28,338</u>	<u>\$ 28,338</u>
Total Expenditures	<u>\$ 28,338</u>	<u>\$ 28,338</u>
Net Change in Fund Balance	\$ 144	\$ 144
Fund Balance, Beginning of Year	<u>-</u>	<u>-</u>
FUND BALANCE, END OF YEAR	<u>\$ 144</u>	<u>\$ 144</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Revenues, Compared to Budget
For the Year Ended March 31, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Property taxes	\$ 196,383	\$ 170,205	\$ (26,178)
Licenses and permits	42,107	53,013	10,906
State revenue	270,469	270,469	-
Charges for services	3,635	5,481	1,846
Interest	8,070	88,014	79,944
Other revenue	<u>36,311</u>	<u>19,632</u>	<u>(16,679)</u>
 Total Revenues	 \$ 556,975	 \$ 606,814	 \$ 49,839
 Other Financing Sources:			
Gain on sale of assets	<u>\$ 69,700</u>	<u>\$ 69,700</u>	<u>\$ -</u>
 TOTAL REVENUES AND OTHER FINANCING SOURCES	 \$ 626,675	 \$ 676,514	 \$ 49,839

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
General Government:			
Township Board:			
Salary		\$ 8,700	
Payroll taxes		697	
Audit fees		6,820	
Tax roll prep		5,993	
Education and training		8,440	
Other		<u>1,900</u>	
Total Township Board	<u>\$ 37,247</u>	<u>\$ 32,550</u>	<u>\$ 4,697</u>
Supervisor:			
Salary		\$ 15,700	
Payroll taxes		<u>1,258</u>	
Total Supervisor	<u>\$ 16,569</u>	<u>\$ 16,958</u>	<u>\$ (389)</u>
Assessor:			
Contracted services		\$ 45,809	
Supplies		4,768	
Other		<u>2,333</u>	
Total Assessor	<u>\$ 52,875</u>	<u>\$ 52,910</u>	<u>\$ (35)</u>
Board of Review:			
Salary		\$ 900	
Payroll taxes		72	
Other		<u>106</u>	
Total Board of Review	<u>\$ 1,070</u>	<u>\$ 1,078</u>	<u>\$ (8)</u>
Clerk:			
Salary		\$ 14,800	
Payroll taxes		<u>1,186</u>	
Total Clerk	<u>\$ 15,616</u>	<u>\$ 15,986</u>	<u>\$ (370)</u>
Treasurer:			
Salary		\$ 13,200	
Payroll taxes		<u>1,058</u>	
Total Treasurer	<u>\$ 13,969</u>	<u>\$ 14,258</u>	<u>\$ (289)</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
General Government - Continued:			
Administrative and Office:			
Salary		\$ 24,944	
Fringe benefits		7,989	
Payroll taxes		1,999	
Office supplies		3,523	
Professional and legal		23,279	
Senior historical		1,600	
Transportation		1,297	
Insurance		16,586	
Printing and publishing		1,978	
Capital outlay		2,498	
Township Hall operation		26,598	
Repairs and maintenance		21,576	
Curtis Community Building		3,577	
Other		<u>5,914</u>	
Total Administrative and Office	<u>\$ 136,695</u>	<u>\$ 143,358</u>	<u>\$ (6,663)</u>
Elections:			
Salary		\$ 4,653	
Other		<u>2,862</u>	
Total Elections	<u>\$ 7,515</u>	<u>\$ 7,515</u>	<u>\$ -</u>
Cemetery:			
Cemetery operations		<u>\$ 11,416</u>	
Total Cemetery	<u>\$ 11,416</u>	<u>\$ 11,416</u>	<u>\$ -</u>
Total General Government	<u>\$ 292,972</u>	<u>\$ 296,029</u>	<u>\$ (3,057)</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Public Safety:			
Planning and Zoning:			
Salary		\$ 6,735	
Payroll taxes		437	
Other		<u>6,314</u>	
Total Planning and Zoning	<u>\$ 13,755</u>	<u>\$ 13,486</u>	<u>\$ 269</u>
Ordinance Enforcement:			
Salary		\$ 1,418	
Payroll taxes		114	
Other		<u>1,000</u>	
Total Ordinance Enforcement	<u>\$ 2,518</u>	<u>\$ 2,532</u>	<u>\$ (14)</u>
Police:			
Contracted services		<u>\$ 6,112</u>	
Total Police	<u>\$ 6,112</u>	<u>\$ 6,112</u>	<u>\$ -</u>
Ambulance:			
Contracted services		<u>\$ 15,865</u>	
Total Ambulance	<u>\$ 15,865</u>	<u>\$ 15,865</u>	<u>\$ -</u>
Fire:			
Wage reimbursement		\$ 12,015	
Operations		500	
Legal expense		2,229	
Capital outlay		<u>66,199</u>	
Total Fire	<u>\$ 95,755</u>	<u>\$ 80,943</u>	<u>\$ 14,812</u>
Liquor Inspector:			
Salary		\$ 1,200	
Payroll taxes		96	
Other		<u>98</u>	
Total Liquor Inspector	<u>\$ 1,383</u>	<u>\$ 1,394</u>	<u>\$ (11)</u>

**HAGAR TOWNSHIP
GENERAL FUND
Statement of Expenditures, Compared to Budget
For the Year Ended March 31, 2007**

	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Public Safety - Continued:			
Building Inspector:			
Salary		\$ 31,198	
Payroll taxes		2,500	
Fringe benefits		3,593	
Supplies		<u>2,172</u>	
Total Building Inspector	\$ <u>47,962</u>	\$ <u>39,463</u>	\$ <u>8,499</u>
Mechanical Inspector:			
Salary		\$ <u>7,640</u>	
Total Mechanical Inspector	\$ <u>-</u>	\$ <u>7,640</u>	\$ <u>(7,640)</u>
Total Public Safety	\$ <u>183,350</u>	\$ <u>167,435</u>	\$ <u>15,915</u>
Public Works:			
Highways and Streets:			
Roads		\$ 61,273	
Street lights		4,466	
Drains at large		2,765	
Public clean up		4,302	
Other		<u>173</u>	
Total Public Works	\$ <u>73,311</u>	\$ <u>72,979</u>	\$ <u>332</u>
Recreation and Culture:			
Parks and recreation:			
Hagar Roadside Park		\$ 9,112	
Childrens park		2,946	
Baseball park		<u>4,502</u>	
Total Recreation and Culture	\$ <u>16,472</u>	\$ <u>16,560</u>	\$ <u>(88)</u>
TOTAL EXPENDITURES	\$ <u>566,105</u>	\$ <u>553,003</u>	\$ <u>13,102</u>

**HAGAR TOWNSHIP
NONMAJOR SPECIAL REVENUE FUND
Balance Sheet
March 31, 2007**

	Museum Millage Fund
Assets	
Taxes receivables	\$ 144
 TOTAL ASSETS	 \$ 144
 Fund Balance	
Fund balances:	
Reserved Museum Services	\$ 144
 TOTAL FUND BALANCES	 \$ 144

**HAGAR TOWNSHIP
NONMAJOR SPECIAL REVENUE FUND
Statement of Revenues, Expenditures, and
Changes in Fund Balance
For the Year Ended March 31, 2007**

	<u>Museum Millage Fund</u>		
	<u>Budget</u>	<u>Actual</u>	<u>Variance - Positive (Negative)</u>
Revenues:			
Taxes	\$ -	\$ 28,482	\$ (28,482)
Total Revenues	\$ -	\$ 28,482	\$ (28,482)
Expenditures:			
Recreation and Cultural:			
Museum operations	\$ -	\$ 28,338	\$ (28,338)
Total Recreation and Cultural	\$ -	\$ 28,338	\$ (28,338)
Total Expenditures	\$ -	\$ 28,338	\$ (28,338)
Net Change in Fund Balance	\$ -	\$ 144	\$ (144)
Fund Balance, Beginning of Year	-	-	-
FUND BALANCE, END OF YEAR	<u>-</u>	<u>144</u>	<u>(144)</u>

**HAGAR TOWNSHIP
AGENCY FUNDS
Combining Balance Sheet
March 31, 2007**

	<u>Tax Collection Fund</u>	<u>Trust and Agency Fund</u>	<u>Total</u>
Assets			
Cash in bank	\$ 128,244	\$ 36,609	\$ 164,853
Cash on hand	300	-	300
Accounts receivable	<u>134</u>	<u>-</u>	<u>134</u>
 TOTAL ASSETS	 <u>\$ 128,678</u>	 <u>\$ 36,609</u>	 <u>\$ 165,287</u>
 Liabilities			
Taxes payable	\$ 109,194	\$ 25,000	\$ 134,194
Accounts payable	<u>19,484</u>	<u>11,609</u>	<u>31,093</u>
 TOTAL LIABILITIES	 <u>\$ 128,678</u>	 <u>\$ 36,609</u>	 <u>\$ 165,287</u>

**HAGAR TOWNSHIP
TRUST AND AGENCY FUND
Statement of Cash Receipts and Disbursements
For the Year Ended March 31, 2007**

Receipts:

Trailer fees	\$ 468
Donations	50,069
Interest	1,051
Restitution	<u>25,000</u>

Total Receipts	<u>\$ 76,588</u>
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Disbursements:

Capital outlay	\$ 80,649
Trailer fees	<u>468</u>

Total Disbursements	<u>\$ 81,117</u>
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Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ (4,529)
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Cash at beginning of year	<u>41,138</u>
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CASH AT END OF YEAR	<u><u>\$ 36,609</u></u>
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**HAGAR TOWNSHIP
TAX COLLECTION FUND
Statement of Cash Receipts and Disbursements
For the Year Ended March 31, 2007**

Receipts:

Current property tax collections	\$ 3,621,682	
Interest	<u>10,508</u>	
Total Receipts		<u>\$ 3,632,190</u>

Disbursements:

Public schools	\$ 1,217,898	
Berrien County	1,477,558	
Other funds	291,667	
Berrien County I.S.D.	292,218	
Lake Michigan College	206,963	
Other	<u>17,853</u>	
Total Disbursements		<u>\$ 3,504,157</u>

Excess (Deficiency) of Receipts Over (Under) Disbursements	\$ 128,033
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Cash at beginning of year	<u>511</u>
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CASH AT END OF YEAR	<u><u>\$ 128,544</u></u>
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Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

June 5, 2007

Communication of Significant Deficiencies That Indicates No Material Weaknesses in Internal Control

To: The Board of Directors and
Management of Hagar Township

In planning and performing our audit of the financial statements of Hagar Township as of and for the year ended March 31, 2007, in accordance with auditing standards generally accepted in the United States of America, we considered Hagar Township's internal control over financial reporting (internal control) as a basis for designing our auditing procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of the Board's internal control. Accordingly, we do not express an opinion on the effectiveness of the Board's internal control.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or a combination of control deficiencies, that adversely affects the entity's ability to initiate, authorize, record, process, or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the entity's financial statements that is more than inconsequential will not be prevented or detected by the entity's internal control.

A material weakness is a significant deficiency, or a combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the entity's internal control.

Our consideration of internal control was for the limited purpose described in the first paragraph and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control that we consider to be material weaknesses, as defined above. However, we identified the following deficiencies in internal control that we consider to be significant deficiencies.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

1. In order for the monthly Board reports to be accurate to the true financial state of the Township in accordance with generally accepted accounting principles, we recommend the following suggestions:
 - Tax collections for the fire and museum millages need to be posted to the appropriate revenue accounts in the appropriate Special Revenue Fund (Fire Millage Fund or Museum Millage Fund).
 - Disbursements to the museum or fire board for services to be provided by the millage revenue should be recorded as expenditures in the appropriate Special Revenue Fund (Fire Millage Fund or Museum Millage Fund).
 - Fiduciary Funds, such as the Trust and Agency Fund and the Tax Collection Fund, should only report balance sheet accounts and should not report any revenue or expenditure. Liability accounts need to be used to report amounts collected and not yet disbursed.
 - Tax collections for entities that can legally levy taxes should be paid out every ten days to those entities. We noted that some tax collections were held until year-end, or after, to be disbursed and that some of those disbursements were improperly dated with dates earlier than the date the check was issued and mailed. Checks should be dated the day they are issued, disbursed in a timely manner, and there should only be a minimal cash balance in the Tax Collection Fund at year-end once collections are disbursed.
2. Because the Township levies a millage for fire services and museum services, the Township is required to maintain a Special Revenue Fund for each of these millages. In accordance with budgeting regulation, the Board is required to adopt a budget for each of these Special Revenue Funds as part of their annual budgetary process. Currently the Fire Millage Fund revenues and expenditures were budgeted for in the General Fund and no budget was adopted for the new Museum Millage Fund.
3. Currently there are no controls in place for reviewing financial statements provided by the auditing firm for material misstatements. We recommend that the Board appoint a person or persons who possess the appropriate knowledge of accounting to review the statements before final Board acceptance. The auditor should be available to answer any questions about the statements that were provided. All statements and disclosures should be carefully reviewed and understood before the Board accepts the financial statements. If the Board does not have anyone who is qualified to do this, the Board should consider the cost of training a Board member(s) to acquire the needed knowledge to perform this procedure. Since this internal control is not currently in place, a material misstatement could occur.

In addition, we noted other matters involving the internal control and its operation that we have reported to management of Hagar Township in a separate letter dated June 5, 2007.

This communication is intended solely for the information and use of management, Board of Directors, and other within the organization, and is not intended to be and should not be used by anyone other than these specified parties.

Very truly yours,


GERBEL & COMPANY, P.C.
Certified Public Accountants

Gerbel & Company, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

Fifth Third Bank Building ■ 4th Floor ■ 830 Pleasant Street ■ P.O. Box 44 ■ St. Joseph, Michigan 49085-0044

June 5, 2007

Township Board
Township of Hagar
Riverside, Michigan

In connection with our audit of the books and records of Hagar Township for the year ending March 31, 2007, we offer the following comments and recommendations regarding internal control and other accounting matters.

GENERAL FUND

1. The petty cash key should be stored in a less conspicuous place.
2. The General Fund's petty cash should be reimbursed prior to each year end.
3. The copy machine revenue in the petty cash account should be deposited to the General Fund on a quarterly or annual basis. A ledger sheet should be used to better track the monies coming in from the copy machine.
4. Receivables for both ambulance and fire runs are still maintained in the General Fund, but have been classified as uncollectible, resulting in a net amount of \$0. The Township Board should approve a journal entry to zero these accounts and remove them from the books.

TAX COLLECTION FUND

5. The Tax Petty Cash account was missing some receipts. Care should be taken to ensure all receipts are retained. However, we suggest that this petty cash account be used only for making change for payment of tax bills. All other petty cash needs should be handled by the General Fund Petty Cash account.

GENERAL

6. We feel the Township would benefit from an employee policy manual and an organizational chart. Employee job responsibilities and constraints should be clearly communicated in formal job descriptions.

Right. On time.

PHONE: 269-983-0534 ■ FAX: 269-983-7050 ■ EMAIL: gerbel@parrett.net ■ WEB SITE: www.gerbel.com

GENERAL - Continued

7. P.A. 621 of 1978 Section 18, as amended, provides that a local unit shall not incur expenditures in excess of the amount appropriated. During the year ended March 31, 2007, the Township incurred expenditures in certain budgetary functions which were in excess of the amount appropriated as follows:

	<u>Activity</u> <u>Appropriation</u>	<u>Activity</u> <u>Expenditures</u>	<u>Negative</u> <u>Budget Activity</u>
General Fund:			
General government	\$ 292,972	\$ 296,029	\$ 3,057
Recreation and culture	16,472	16,560	88
Museum Fund:			
Recreation and culture	-	28,338	28,338

8. The Township's administration and accounting personnel displayed a high level of dedication and cooperation in performing their functions and assisting us in completing ours.

We appreciate the cooperation and courtesy extended to us by the officials and employees of Hagar Township and trust that these comments and recommendations will be accepted in the spirit of cooperation in which they are offered.

Very truly yours,

Gerbel & Company, P.C.
GERBEL & COMPANY, P.C.
Certified Public Accountants